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Sixteenth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 20 November 1996, at 3 p.m.

President: Mr. Seung Kon LEE (Republic of Korea)

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The meeting was called to order at 3.30 p.m.

OPENING OF THE SESSION

1. The **PRESIDENT** declared open the sixteenth session of the Industrial Development Board.
2. There had been difficult and painful moments in the process of UNIDO reform, including the downsizing of the UNIDO Secretariat. It was now time to guide the future of the revitalized UNIDO, with the mandate of the industrialization of the developing countries.
3. He thanked all representatives who had attended the pre-session informal consultations and contributed to the production of composite texts of draft decisions for the Board.
4. The seventh regular session of the General Conference would be held in the coming year, and the Board would be discussing the medium-term programme framework, 1998-2001, including the 1998-1999 biennium, and the financial regulations to be submitted to the General Conference. The Board would also consider such substantial matters as the Second Industrial Development Decade for Africa (IDDA), the industrialization of the least developed countries (LDCs), investment promotion activities and field representation.
5. It was his sincere hope that the present session of the Board, being held in the week following UNIDO's thirtieth anniversary, would provide further constructive and future-oriented guidance for UNIDO.

ADOPTION OF THE AGENDA (IDB.16/1/Rev.1 and Corr.1)

6. *The provisional agenda (IDB.16/1/Rev.1 and Corr.1) was adopted.*

STATEMENT BY THE DIRECTOR-GENERAL

7. **Mr. DE MARIA Y CAMPOS** (Director-General) said that, in overall terms, he was pleased with the outcome of the session of the Programme and Budget Committee just concluded, but he greatly regretted its decision to depart from the principle of zero real growth regarding the ceiling for the 1998-1999 programme and budgets. That did not sufficiently acknowledge the immense savings achieved by UNIDO during its reform process, in administrative support costs, travel expenditures, buildings management and many other areas. He stressed that, as long as the financial regulations were not rendered more flexible, he did not have the authority to redeploy any savings made to strengthen substantive programmes.

8. The Annual Report of UNIDO for 1995 (IDB.16/10 and Add.1 and 2 and Corr.1) built on the substantially improved format of the 1994 Annual Report. It also met the new information requirements formulated at the sixth session of the General Conference and provided improved aggregate statistical and project-specific information on UNIDO's technical cooperation activities, as well as an elaboration of UNIDO's global forum role.

9. UNIDO's total technical cooperation delivery in 1995 had amounted to US\$108.5 million, representing a 7 per cent increase on the 1994 delivery volume—a remarkable achievement in a year in which the Organization had gone through a major reform process. The leading role of African countries as recipients of UNIDO services had been further enhanced: their share in all projects had gone up to 42 per cent, following 39 per cent in 1994. The Annual Report also underlined progress in the development of UNIDO's new high-impact programmes and showed how UNIDO, in areas of high technical competence, was gradually developing more "upstream", normative services, such as industrial standards, indicators and benchmarks.

10. The progress report on UNIDO reform (IDB.16/18) was relatively brief and focused on a number of specific issues on which he had been requested to report. For example, it discussed new guidelines on the decentralization of project implementation, a new approach to economic cooperation among developing countries, personnel policy issues and the increasing involvement of the private sector in the work of UNIDO. He referred specifically to the first meeting, in October 1966, of UNIDO's new International Business Advisory Council, an informal body composed of leading industrialists from different regions, which was an important nucleus for future tangible and expanded cooperation with the private sector. The report provided information on action since April 1996 and should therefore not be seen as an overall account of the results of the reform, most of which had been covered in previous reports to the sixth session of the General Conference and the fifteenth session of the Board. He intended to prepare a comprehensive account of all reform achievements since 1995, with an assessment of their impact, for the 1997 session of the General Conference.

11. On becoming Director-General of UNIDO, he had put the Organization's reform on the agenda, and he was able to look back with a great deal of satisfaction and report that UNIDO would soon have completed its reform, despite the critical resource constraints imposed. The achievements would have been impossible without

the dedication and commitment of UNIDO staff at large and the unfailing support of the Member States.

12. The future role of UNIDO would be influenced by the overall reform of the United Nations system. UNIDO was ready to play an active role in the process and to take the lead in demonstrating how concrete cooperation, both at Headquarters level and at the country level, could improve the impact of industrial development programmes. A joint communiqué between UNIDO and UNCTAD had been signed in July 1996. The cooperation foreseen between the two organizations in the investment area had been highlighted in a recent joint statement of the Administrative Committee on Coordination on reform and strengthening of the United Nations system (see press release SG/SM/6106).

13. The successful reform of UNIDO had clearly shown: that agencies of the United Nations system could be reformed, under the guidance of their Member States, rapidly and comprehensively; that reform was facilitated if approached in a decentralized or "bottom-up" manner, rather than relying on "top-down" grand designs; and that, while some external advice might be essential as a catalyst of reform, the direct involvement and commitment of staff, and not only those in managerial positions, was critical.

14. UNIDO would not be complacent about the achievements made. It fully subscribed to the concept of continuous improvement and to the reality of a learning organization. It would be his foremost task to enhance the efficiency of UNIDO's operations further and to translate the "reform dividends" into a higher volume and better quality of services for recipient countries.

15. On the issue of UNIDO field representation, he was submitting a document (IDB.16/19) outlining a new approach based on the following elements: the key recommendations of a study undertaken in December 1994 by a team of external consultants; the sharply reduced resource base for field offices after the discontinuation of UNDP funding support from 1998; and the need to develop and implement a field representation system which was sustainable with the Organization's own resources, in conjunction with local cost-sharing arrangements.

16. The proposed approach would lead to the creation of a limited number of subregional field offices which would be adequately staffed and funded to serve the needs of a number of neighbouring countries. The approach should be introduced gradually to take full effect in the next biennium. It would be accompanied by further decentralization through post redeployment from Headquarters, delegation of authority to the field, a new incentive-based performance system and a clear defi-

nition of guidelines for field representation to ensure strengthened accountability.

17. In October 1996, he had signed new cooperation arrangements between UNDP and UNIDO at the country level with the UNDP Administrator. The new arrangements had been developed in recognition of changed execution and implementation modalities, their implications on the funding of UNIDO's technical cooperation programmes and the consequent importance of an active fund-raising role for the UNIDO Country Directors (UCDs). The UNDP resident representative had previously been the UNIDO representative in the country but the new arrangements meant that the UCDs would be the UNIDO representatives *vis-à-vis* Governments and other entities. Effective coordination and the use of common premises, wherever feasible and cost-effective, would ensure close linkages with the United Nations resident coordinators and the UNDP offices.

18. He was submitting a comprehensive report on the various elements of UNIDO's investment promotion programme, its current operation and its future orientation (IDB.16/11). It highlighted different dimensions of the programme and provided an insight into the main achievements, as well as presenting recent innovations in the investment programme, such as the expansion and diversification of Investment Promotion Service (IPS) offices and increased linkages with the private sector. Further information was provided by a conference room paper on the Investment Promotion Service (IDB.16/CRP.5), with detailed information on each office. The Organization needed feedback from Member States to assess the impact of UNIDO's investment programme, particularly at a time when traditional development assistance flows were declining.

19. The progress report on the programme for the least developed countries (IDB.16/13) showed that new approvals for technical cooperation programmes benefiting LDCs had increased significantly over the previous year. For the first time, 50 per cent of IDDA resources had been earmarked for African LDCs.

20. He had also submitted a brief document (IDB.16/16) on the Alliance for Africa's Industrialization, officially launched on 23 October 1996 by African Heads of State and Government and Ministers of Industry at Abidjan, Côte d'Ivoire. African States had endorsed the Alliance as an innovative approach to establishing new partnerships with a view to catalysing industrial development in Africa. The new partnerships related, firstly, to the national level to ensure the mobilization of local resources, savings and investments; secondly, to the subregional and regional levels to achieve economies of scale and greater market integration; and thirdly to the international level

through partnerships with Governments and enterprises in developed countries and other industrializing regions. It had been emphasized at Abidjan that industrial development strategies must lead to local capacity-building and private sector empowerment and be based on comparative advantages and long-term, home-grown industrial development plans. The Alliance should also boost the implementation of the Second IDDA. The mid-term review of the Second IDDA would be an important input for the formulation of a plan of action to be considered at the next Conference of African Ministers of Industry in May 1997. The Abidjan Declaration on the Alliance for Africa's Industrialization had been submitted to the Board (see document IDB.16/16/Add.1, annex) and he was sure that it would receive the Board's full support. He wished to thank the Government of Côte d'Ivoire for hosting the launching of the Alliance.

21. The revised draft medium-term programme framework, 1998-2001, had been prepared in response to the General Conference's request, in view of the reduced resources available to UNIDO. The document submitted (IDB.16/23) assumed that UNIDO's basic substantive delivery capacity would be maintained in the medium-term programme period, despite the overall resource base reduction. The document adopted a new structure and outlined the medium-term programme focus under the new thematic priorities of UNIDO.

22. The document on personnel matters (IDB.16/17) reported on the completion of the staff separation scheme and on the composition of the Secretariat, including geographical representation and gender balance. With the support of Member States, it had been possible to implement the separation scheme rapidly. In aggregate terms, the report showed an 18 per cent decrease in the total number of staff, over the period 31 December 1995 to 1 August 1996. General Service staff accounted for 73 per cent of the total number of separations. Among the Divisions, the Division of Administration had taken the highest reductions in staff, 45 per cent of the total. In filling current and future vacancies, he had initiated steps to improve geographical and gender balance through the recruitment of qualified candidates, both men and women, from under- or non-represented regions or countries. Besides recruitment, reforms had encompassed areas such as accountability, staff rewards and career development. Innovations had included the introduction of a new staff performance evaluation system, a new placement and promotion system and a new customer service approach to the provision of personnel services, designed to pave the way for further decentralization.

23. During the recent deliberations of the General Assembly's Second Committee, he had had the pleasure, on 25 October, to introduce the report of the Secretary-General on industrial development cooperation and to respond to a number of important statements by Member States, most of them recognizing UNIDO's achievements. The Secretary-General's report contained a concise review of the continued importance of industry in economic and social development, the agenda for international industrial development cooperation and the reform of UNIDO.

24. Following the Ministerial Meeting of the Group of 77 in New York, UNIDO had assumed a leading role in coordinating, with UNDP and UNCTAD, preparations for the South-South Conference to be held at San José, Costa Rica, in January 1997.

25. He had always maintained that the reform of UNIDO was more about improving quality than about cutting costs, though he did not belittle the importance of using limited resources more efficiently. It gave him great pleasure to see that UNIDO's quality-related efforts had not gone unnoticed. UNIDO's quality assurance staff had been called upon by other international organizations to provide services in programme formulation and in training related to concepts for the quality management of development cooperation. UNIDO had also been asked to brief the missions of the Group of 77 in New York on the principles of project design, monitoring and evaluation.

ORGANIZATION OF WORK

26. **The PRESIDENT** proposed that the Board decide to suspend rule 32 of the rules of procedure regarding the quorum. A quorum would not be considered a requirement for starting meetings, except in the case of meetings at which decisions of a substantive nature were to be taken. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which might be waived if no member of the Board objected.

27. In the absence of any objections, he would assume that the Board wished to suspend rule 32.

28. *It was so decided.*

29. He said that Member States wishing to submit draft decisions should do so in writing and well in advance.

ANNUAL REPORT OF THE DIRECTOR-GENERAL ON THE ACTIVITIES OF THE ORGANIZATION IN 1995, INCLUDING PROGRESS REPORT ON SPECIFIC ACTIVITIES
(IDB.16/10 and Add.1 and 2 and Corr.1, IDB.16/26)

IMPLEMENTATION OF THE REFORM
(IDB.16/18)

30. **Mr. MARUNO** (Managing Director, Investment and Technology Promotion Division) introduced document IDB.16/26, concerning arrangements for the establishment of an international centre for hydrogen energy technologies. He wished first to draw attention to a small correction: in paragraph 16, subparagraph (b) of the suggested decision should read: "Requests the Director-General to pursue the discussions with the Turkish authorities for the eventual establishment and long-term operation of the centre".

31. The promotion of the centre was part of UNIDO's overall programme of international cooperation and the establishment of international centres in new technologies. Hydrogen energy was considered an environmentally sound and renewable energy system for the twenty-first century. The document highlighted UNIDO's past and ongoing activities to promote hydrogen energy technologies and provided background information on the centre, including the preparation of a feasibility study. The feasibility study had been examined by a meeting of international experts in 1996 and it had unanimously supported the proposal for establishing the centre. The centre's long-term mission would be to act as a bridge between industrialized and developing countries and close the gap between research and development organizations, innovative enterprises and the market-place, thereby stimulating applications of hydrogen energy technology in industrial development throughout the world and in developing countries in particular.

32. In line with other international technology centres promoted by UNIDO, the centre would be financed exclusively from voluntary contributions. The Government of Turkey had indicated that it would allocate the required land, build the centre's premises and support its operations.

33. **Ms. DORAN** (Observer for Ireland), speaking on behalf of the European Union, Bulgaria, Cyprus, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia, said that she welcomed the new format of the Annual Report, which was more user friendly for Member States than the format of previous reports and contributed to a greater understanding of UNIDO's operations and how they related to the seven thematic priorities.

34. The last few years had been difficult for UNIDO and the implementation of the reform process had not been painless, but certain elements could now be deemed to be complete. She was referring to certain organizational elements such as the staff structure and staff levels. It was now time for the Organization to concentrate on its mission. The reform process was not over; it was necessary for all international organizations to inspect themselves continuously to see where improvements could be made, to weed out inefficient practices, to focus on core activities and to ensure that activities where no comparative advantage existed were eliminated. The process would involve a need for further staff training and that should be reflected in the budget proposals. Mechanisms to advance UNIDO's future endeavours towards increased efficiency and effectiveness would be welcomed. The European Union saw further scope for deselection of subsectors and a reduction in the number of fields of activity in connection with the seven thematic priorities.

35. The Director-General's report on the implementation of the reform (IDB.16/18) gave a very good factual overview, but she would have liked to see the report present the principles guiding the continuing reform, as well as a clearer confirmation of UNIDO's commitment to the concept of a continuous reform process.

36. She urged the Director-General to improve coordination with other relevant bodies in order to eliminate duplication; the Secretariat should develop a clear division of labour with UNCTAD, *inter alia* in the areas of investment promotion and technology transfer.

37. She welcomed the recent establishment of the International Business Advisory Council as a means of reinforcing relations between UNIDO and the private sector, and would like UNIDO to indicate in greater detail what it expected to achieve from such cooperation.

38. The 1995 Annual Report of UNIDO indicated that the African continent's overall economic condition remained precarious and that the region would benefit little from global trade liberalization (see document IDB.16/10, chap. V, paras. 11 and 12). The sub-Saharan region of Africa, where two thirds of the least developed countries were located, still had a weak manufacturing basis. The European Union believed that UNIDO would ultimately be judged, *inter alia*, by the extent to which it contributed efficiently and effectively to the industrialization of the least developed countries, by laying the foundations for long-term prosperity and economic strength, with a view to creating a better life for the people of those countries. The specific problem of the industrialization of African countries should continue to be one of UNIDO's main priorities. She welcomed the launching of the Alliance for Africa's Industrialization

as a dynamic mechanism for the attainment of the goals and objectives of the Industrial Development Decade for Africa. The Director-General should support the efforts of African Governments, African economic and financial regional and subregional institutions and African private operators to translate the initiative into tangible benefits for the continent.

39. With reference to field representation, she urged the Director-General to develop, in consultation with Member States, a specific proposal for the country coverage and location of subregional offices. Field offices were an integral part of UNIDO. Any reduction in the level of expenditure accorded to them from the regular budget would not be acceptable. The proposal to make service in the field an integral part of the career development of UNIDO staff was also welcome.

40. She acknowledged the accomplishments of the Investment Promotion Service and welcomed the better networking among IPS offices and the intention to coordinate their activities better with Headquarters. They should intensify their cooperation with international financial organizations. It was very important that follow-up activities to the investment forums and "Techmarts" should be intensified. It would be useful for investment promotion to be combined with the transfer of cleaner production technologies, to promote cleaner industrial production.

41. With reference to agenda item 14, which had been included at the request of one delegation, the European Union was not convinced by the arguments advanced in favour of Board approval of the appointment of managing directors. That proposal had no legal basis, since the Constitution provided only for Board approval of the appointment of a deputy director-general. The European Union did not wish to see the constitutional responsibility of the Director-General to appoint his staff diminished in any way, or to see the role of the Director-General in shaping the Organization in the personnel area reduced.

42. It was of vital importance that Member States should fulfil their obligations to UNIDO. Membership of any organization involved both benefits and responsibilities. All Member States had an obligation to catch up with arrears and pay their assessed contributions promptly, in full and without conditions.

43. **Mr. MOTIU** (Romania), after endorsing the statement made on behalf of the European Union, said that the gains of the reform process included the development of the philosophy of UNIDO as a "learning organization" and the increased level of efficiency that had been achieved. It was to be hoped that the Member States would now be more motivated to deal with the

problem of the late payment of contributions. Focusing on a reduced number of priorities would help UNIDO to fulfil its most important roles. The development of the seven thematic priorities was one of the major steps taken in 1995. Romania was particularly interested in promoting projects under the thematic priorities concerning the environment and energy, industrial information, investment and technology promotion and small and medium enterprises. With regard to projects in Romania, he wished to stress the competence and efforts of those involved in identifying the projects, preparing project documents and supporting the projects at sessions of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol. He also thanked the Managing Director, Mrs. Tcheknavorian, for her contribution. Regarding the joint UNIDO/UNEP National Cleaner Production Centres programme, he said that financial support from UNIDO or from a donor institution in a developed country would be necessary in order for the centres concerned to become fully operational. The priority attached to the development of small and medium enterprises was reflected in the continuation of activities carried out in the framework of the United Nations Centre for the Promotion of Small and Medium Private Enterprises.

44. Over the previous three years, the Romanian economy had grown steadily. The mass privatization process had been successfully completed in September and State-owned shares in a number of companies had also been sold to private investors. Romania now presented an attractive environment for foreign investors and UNIDO could play an important role in encouraging foreign investment in the country. That subject, among others, had been discussed at the recent session of the joint UNIDO-Romania Committee, and the protocol and work programme adopted at that session would undoubtedly favour the coordination of common activities.

45. Romania was committed to further sustaining the Organization's efforts to develop its specific activities.

46. **Mr. AZUMA** (Japan) said that Japan had been calling for a new strategy emphasizing the role of developing countries in the development process and the need for a new global partnership allowing cooperation between developed and developing countries. UNIDO was expected to play an important role in implementing that strategy, which Japan would continue to promote.

47. Throughout its existence, UNIDO had faced numerous challenges and had responded with positive contributions to the industrialization of developing countries and countries with economies in transition. However, the Organization now stood at a crossroads. The reform process had gained momentum, substantial progress had been made with respect to downsizing and

the Organization had succeeded in focusing on new priority areas. It was essential that the momentum of reform should be maintained. UNIDO must establish its own identity within the United Nations system. It must avoid duplicating the work of other international organizations, such as UNDP, and must distinguish its own aims from those of other organizations. The Japanese Government would support UNIDO as long as it continued its efforts to achieve more efficient management and more focusing of its activities.

48. With regard to item 4 ("Implementation of the reform"), he said that UNIDO should give top priority to focusing its activities on a limited number of programmes and concentrate on programmes in which it had the greatest competitive advantage with respect to other related organizations. In that connection, Japan had suggested two programmes—investment promotion and environment-related industrial programmes—which deserved further focused priority. He welcomed the establishment of the International Business Advisory Council, which would undoubtedly serve as a useful channel between the Organization and the private sector.

49. With regard to the Second Industrial Development Decade for Africa and the industrialization of the least developed countries, his delegation welcomed the recent launching of the Alliance for Africa's Industrialization. The industrialization of Africa should continue to be given priority among UNIDO's activities. His delegation also supported UNIDO's efforts devoted to the industrialization of the LDCs, and was concerned at the slow pace of industrialization in those countries. It was essential to support sustainable development in the LDCs and in Africa.

50. Regarding item 8 ("Field representation"), his delegation welcomed the new approach to UNIDO field representation, which was essential if the Organization was to deliver effective and efficient services meeting the needs of the recipient countries. Subregional coverage, together with the network of focal point offices in the countries of coverage, was a realistic solution given resource constraints. The role of the UNIDO Country Directors should be strengthened in terms of programming and policy advice to the host countries. The Secretariat should further develop the new approach, in close consultation with Member States.

51. With regard to item 10 ("Medium-term programme framework, 1998-2001"), he said that, at a time when many States were facing severe budgetary constraints, it was essential to prepare the programme and budgets on the basis of a realistic financial assessment.

52. On agenda item 13 ("personnel matters"), he said that the Organization should acquire new blood and recruit industrial development experts from both the public and private sectors, taking into account the need to remedy the underrepresentation of certain Member States.

53. Finally, with regard to the appointment of the Director-General, he said that it was essential for the Organization to be headed by an individual capable of implementing the reform process fully and establishing a well-focused identity for the Organization. His delegation would continue to observe the progress of the reform process under the current Director-General.

54. **Mr. PESCI BOUREL** (Argentina), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that in UNIDO's thirtieth anniversary year the balance sheet of the Organization was extremely positive and that GRULAC was confident that, as a result of the reform and restructuring process, UNIDO would be in a position to face the challenges of the twenty-first century. It was clear that the series of adjustments and refinements would continue in the near future to make UNIDO a centre of excellence. The results of the Organization's activity in the previous year as set out in the 1995 Annual Report were encouraging, particularly in view of the fact that 1995 had been a crucial year in the reform and restructuring process.

55. The importance of UNIDO's role within the United Nations system had been emphasized by the Rio Group in a recent statement in the Second Committee of the General Assembly.

56. With regard to field representation, he said that GRULAC welcomed, in principle, the new framework for the reorientation of the UNIDO field representation programme. The new approach would enable field offices to engage in dialogue with the Governments of the host countries, and GRULAC appealed to the Director-General to begin the consultation process with Member States and regional groups with a view to establishing the new system as soon as possible.

57. GRULAC welcomed the Director-General's efforts to incorporate the System-Wide Action Plan on Drug Abuse Control into the UNIDO work programme, and urged him to take the necessary steps to strengthen UNIDO's cooperation with other organizations in that field.

58. Finally, GRULAC welcomed the recent establishment of the International Business Advisory Council. At a time of ever increasing globalization, links between UNIDO and Governments, industrial associations and business councils were essential.

59. **Ms. RUIZ ZAPATA** (Mexico), after expressing support for the statement made on behalf of GRULAC, said that UNIDO was entering a new stage as an Organization that was now ready to meet the challenges, in the field of industrial development, of globalization and interdependence. Furthermore, its achievements in the reform process were an example to other organizations.

60. The Organization's objectives had been taken into account in the development of its programmes, projects and activities within the seven thematic priorities and she called upon the Director-General to continue his work in that direction. UNIDO was satisfactorily fulfilling its role as a global forum for industrial development matters and as the central coordinating agency within the United Nations system in the field of industry, and she urged the Director-General, the Secretariat as a whole and all Member States to continue their efforts, having due regard to the principle of equitable geographical distribution and the need for balance among the Organization's various activities.

61. Mexico was a beneficiary of UNIDO projects, including the National Cleaner Production Centre programme, the regional programme for the development of industrial subcontracting in Latin America and the regional programme for industrial modernization of the capital goods sector in Latin America. It was also to benefit from assistance for the development of the so-called "Vision 2020". Mexico welcomed the establishment of the International Advisory Business Council. A national industrial business council was already in operation in Mexico.

62. The current phase of consolidation was possibly the most important stage in the reform process. Now, more than ever, it was essential for Member States to continue to support the Organization. Mexico, like many other countries, recognized the importance for UNIDO to continue its work on the basis of zero real growth for the budget in the 1998-1999 biennium. It was important for the Organization to have the resources necessary to fulfil its mandate, particularly given the budgetary cuts that the Organization had already suffered. While understanding the arguments of those delegations that had difficulty with the principle of maintaining zero real growth, she said that there would be no point in fighting for new cuts that would have a negative effect on the attainment of the Organization's objectives. Despite the 25 per cent reduction in the budget following the withdrawal of the major contributor, the Organization has managed to reverse the downward trend for technical cooperation project delivery that had existed since 1990. It should not take a step backwards and have to reverse the new upward trend.

63. With regard to item 16, the provisional dates of the seventeenth session of the Board and the thirteenth session of the PBC were acceptable, taking into account the agendas to be considered.

64. **Mr. HOJERSHOLT** (Denmark) informed the Board that Denmark had decided to undertake a review of the UNIDO reform process, as a follow-up to the study carried out by the Danish Ministry of Foreign Affairs in 1992. The review would assess the new organizational structure and consider the role, mandate and capacity of UNIDO. It should enable the Danish authorities to decide whether the follow-up to the reform, notably the focusing of activities, was sufficiently satisfactory to justify continued Danish membership of UNIDO. The review, which would be headquarters-based, would be carried out from January to May 1997. It would be based on close cooperation between UNIDO and the Danish Mission to the United Nations in Vienna.

65. **Mr. HALIM MOHAMED** (Sudan), speaking on behalf of the African Group, said that although the Group welcomed UNIDO's achievements over the previous 30 years, it was concerned about the Organization's current difficulties and the fact that some perceived reform to mean downsizing and the further separation of staff. It hoped that greater political will and financial support for the Organization would be forthcoming and that that would lead to greater efficiency and effectiveness.

66. Particularly in view of the reduced resources available to the Organization for technical assistance programmes, the Secretariat should show in a more analytical manner the breakdown of activities by individual thematic priorities, major programmes and subprogrammes. He was glad to learn from document IDB.16/22 that resources allocated to the Africa Bureau (programme 330) had been increased by 3.6 per cent and that other programmes in Africa were receiving more resources. The Group hoped that such gestures would be matched with concrete results. Despite the total funds of about \$10.5 million allocated to the IDDA programme, that programme had shown few visible signs of success. The Group would appreciate a clear indication of the trend regarding other UNIDO funding for African projects. It was also extremely concerned about the proposed departure from the zero real growth policy.

67. The African Group had always appreciated UNIDO's activities for the industrialization of Africa. African States were committed to facing the challenges of future economic development through industrialization and were aware of the need for rapid industrial and technological development on the continent at a time of increased globalization and world trade liberalization.

Private-sector productive investment should be significantly enhanced and the necessary institutional support for Africa's industrial growth and competitiveness should be provided. In that connection, the Group welcomed the recent launching of the Alliance for Africa's Industrialization as a dynamic mechanism for attaining the objectives of the Second IDDA. The Group would like to see a high level of cooperation between UNIDO, the Economic Commission for Africa, the Organization of African Unity, the Conference of African Ministers of Industry and the African Business Round Table for the implementation of the proposals contained in the Abidjan Declaration. Recognizing that the issue of funding for the Alliance was still to be resolved, the Group called on Member States to consider as a matter of priority the establishment of a pledging mechanism to provide money for the operation of an interim secretariat for the Alliance. He also urged the Director-General to solicit the support of the international financial institutions as well as members of the recently formed International Business Advisory Council. More information on the mechanisms of the Alliance and its links to the IDDA programme would also be appreciated.

68. The economic situation in the African continent had worsened in the previous decade. Industry's contribution to gross domestic product had stagnated in 1981 and the share of manufacturing value added had decreased from 1 per cent in 1981 to 0.8 per cent in 1994. The Group hoped that the new impetus being given to the African regional programme would enable the continent to realize its industrial aspirations, and it called on UNIDO Member States, especially the major donors, to further enhance the technical assistance programme for Africa by increasing their financial contributions to that cause.

69. The African Group agreed that the industrial investment promotion services and the programme for the least developed countries should be further expanded. It welcomed the measures for the improvement of the field representation programme mentioned in document IDB.16/19 and the new approach to the programme, and wished to encourage the Director-General to expand the programme, particularly in Africa. It urged UNIDO to play a more proactive role in the training and retraining of African industrial personnel.

70. Finally, having thanked all concerned for their efforts to give African industrialization the high priority it deserved, he appealed to all Member States to continue to provide the political and financial support necessary to enable the Organization to deliver appropriate technical assistance programmes to developing countries, particularly those in Africa.

71. **Mr. ELFEDI** (Egypt), after thanking Mrs. Tcheknavorian, Managing Director of the Industrial Sectors and Environment Division, and Mr. van Raalte, Managing Director of the Division of Administration, at the end of their terms with UNIDO for the services they had provided for the benefit of the Member States, said that the administrative and financial reforms that UNIDO was currently undergoing had been dictated by complex international circumstances, a situation compounded by the complexity of the developing countries' needs. Within that context, the reforms were necessary to enable resources to be better utilized for the Organization's benefit.

72. In that connection, his delegation supported the measures taken, especially those directed towards decentralization in administrative functions and project implementation and the encouragement of private-sector involvement in UNIDO activities, particularly in relation to technical assistance.

73. His country welcomed the initiative to establish the International Business Advisory Council (IBAC) and had played an active role in the Council's work in October. It also favoured the creation of National Industrial Business Councils (NIBCs) as a means of encouraging more dynamic partnership between the private and State sectors, which was one of UNIDO's priorities.

74. His delegation also supported technical assistance and cooperation among developing countries and between the developed and the less developed countries, enabling the potential of the former to be exploited for the benefit of the latter.

75. UNIDO's weak financial situation, due, in particular, to the irregularity of payment by certain countries, was a factor preventing the Organization from developing essential strategies and projects. The Member States should undertake to pay their contributions in a regular fashion. At the same time, payment of contributions should not be made subject to particular conditions, since Member States had other ways of expressing their points of view and should be endeavouring to help UNIDO to implement its projects. In that connection, his delegation intended to make a positive contribution to the work of the open-ended discussion group set up to look into the question of accelerating the payment of contributions by Member States. The proposal to allow developing countries to pay their contributions in local currency offered a solution which might well be successful in encouraging those countries to honour their commitments, it being understood that such a system should not be regarded as setting a precedent. His delegation also favoured the introduction of incentives to

encourage countries which respected the payment deadlines to continue to do so.

76. With regard to the report of the External Auditor (IDB.16/2) and the Director-General's comments on that subject, his delegation was somewhat concerned that the finance manual had not yet been updated and that the original manual had not even been distributed to staff members involved in financial administration. The information regarding the transfer of funds from one programme to the other was also noted. He was confident that the Secretariat would take heed of all the recommendations contained in the report and, in particular, hoped that it would act swiftly in reforms relating to information technology.

77. Regarding the programme for the Second Industrial Development Decade for Africa (IDB.16/15 and 16), his delegation sought clarification as to why no details were given of the projects approved as of 30 July 1996. Furthermore, there seemed to be a lack of compatibility between technical assistance activities and subsidiary activities. One welcome initiative, however, was the launching of the Alliance for Africa's Industrialization, and it was to be hoped that the Secretariat would submit data showing how that initiative could be carried out without prejudice to the organization of other activities.

78. With regard to field representation, his delegation welcomed the new orientation in the direction of sub-regional coverage. However, it was to be hoped that more financial support would be forthcoming from the various beneficiary and donor countries. In that regard, he requested the Secretariat to take account of the views expressed by the UNIDO Country Directors.

79. Turning to investment promotion, he expressed his delegation's support for extending and diversifying the African investment promotion networks and for encouraging a degree of South-South cooperation, especially in view of the Organization's immense knowledge and experience and also its pioneering role in the sphere of industrial investment.

80. Finally, he stressed the great importance of UNIDO's work as it approached the completion of the reform process, and had every faith in its ability to live up to the hopes of the developing countries and to fulfil its mission as a symbol of cooperation and harmony between developing and developed countries.

81. **Mr. ARIZAGA** (Ecuador), endorsing the statement made on behalf of GRULAC, said that he wished, on the occasion of UNIDO's thirtieth anniversary, to commend the Organization for its achievements and to thank it for its cooperation with Ecuador in the industrial

sphere. His delegation had always supported the Organization and would continue to do so in the belief that UNIDO had the operational capacity to meet the challenges of a world in constant flux without losing sight of its main mandate of promoting the industrial development of developing countries or of its general objectives of fostering competitive industrial production, developing international industrial partnerships and promoting socially equitable and environmentally friendly industrial development.

82. With regard to agenda item 3, concerning the Annual Report of UNIDO, 1995, his delegation considered that the new format fulfilled the requirements stipulated in resolution GC.6/Res.2 and was easier to read than previous annual reports. As for its content, the activities conducted in 1995 showed a positive balance despite the difficulties faced by the Organization and its staff and the major changes necessary to achieve more vigorous leadership, better programme management, simpler administrative procedures and, finally, greater efficiency and effectiveness.

83. 1995 had also been a year in which the gap between privileged and unprivileged countries had increased, which clearly demonstrated that international cooperation, especially in the industrial sphere, should be stepped up further in order to assist the developing countries. The past year had also seen the announcement of the withdrawal of the United States of America from UNIDO at the end of 1996. In that connection, he welcomed the recent statement by a representative of that country that its commitment to development as a fundamental component of its foreign policy would none the less continue undiminished.

84. His delegation commended UNIDO for achieving a 7 per cent increase in technical cooperation project delivery as compared with 1994, and on its success in making drastic budgetary cuts while preserving its ability to provide high-quality services. It was evident that the Organization had indeed corrected its course and was now more flexible and capable of responding more rapidly to Member States' needs.

85. With regard to the reform of UNIDO, the 25 per cent reduction in the regular budget had had an undeniable impact, but the fact that the Organization had none the less managed to maintain or even improve its services with fewer resources was highly commendable. It was regrettable, however, that at the session of the Programme and Budget Committee prior to the present session of the Board a decision had been made in favour of negative real growth. His delegation was confident that the Secretariat would do its utmost to submit a budget departing as little as possible from a zero real growth budget.

86. His delegation also hoped that the recently established International Business Advisory Council would help the Organization to build more effective partnerships with private industry, an area of increasing importance in developing countries.

87. His delegation had repeatedly stressed the need for UNIDO to improve its image. Publications such as "*UNIDO Links*", as well as its home page on Internet, were steps in the right direction. Unless the Organization publicized its activities and achievements widely, it would not be able to continue growing in strength.

88. **Mr. MEYER MEDINA** (Observer for Bolivia) said he was pleased to note from the Annual Report that the reform process of recent months had been largely successful, even though the process had taken place against the background of severe financial constraints and in an atmosphere inevitably marked by insecurity and tension.

89. His delegation wished to congratulate the Director-General on the progress that had been achieved and to encourage him to continue expanding the Organization's capacity for modernization. It fully endorsed the recent statement by the Rio Group in the Second Committee of the General Assembly to the effect that UNIDO constituted an indispensable mechanism for promoting sustainable industrial development. In that connection, his delegation also supported the statement made in the present meeting on behalf of GRULAC.

90. One of the well-conceived measures planned as part of the reform process was undoubtedly the redistribution of the Organization's personnel with a view to improving both the utilization of resources and the quality of the services offered. His delegation was confident that decentralization would be carried out on a consensual basis and would help prevent the adoption of entrenched positions which ultimately served only to marginalize particularly weak economies, reinforced the tendency towards polarization and thus, in the long term, obstructed the smooth course of development.

91. His country was not only a staunch supporter of the reform process in UNIDO but had also seen its relationship with the Organization improve in recent years. Bolivia had had the pleasure of receiving a visit from the Director-General earlier that year, which had provided an opportunity for him to meet the country's most senior officials.

92. Cooperation between UNIDO and Bolivia had also extended to the extremely sensitive subject of alternative development in connection with drug abuse control, an area in which his country greatly appreciated the assistance provided. In addition to the vital support

received for specific projects ranging from field operations to key research directed towards achieving a better understanding of the country's agro-industrial competitive advantage, Bolivia was also the beneficiary of support relating to the economic reforms it was undergoing in order to gain a more favourable position within the increasingly globalized world economy. As far as Bolivia was concerned, UNIDO had proved extremely responsive to the country's many different needs.

93. Finally, his delegation hoped that the Board's current deliberations would help it to gain in strength and project its image more forcefully, and that the occasion of its thirtieth anniversary would spur it on in its pursuit of reform.

94. **Mrs. OK** (Turkey) said that she wished first of all to welcome Kazakhstan as a new Member of UNIDO, and expressed her country's intention to continue its traditional close cooperation with that country within the framework of the Organization.

95. As the only agency of the United Nations system capable of responding to the growing needs of the industrializing and least industrialized countries, thereby helping to open up new markets and investment opportunities for developed countries, reducing unemployment world-wide and ultimately narrowing the gap between developed and developing countries, UNIDO's significance was as great as ever despite its recent problems. Until the overall process of reform had been completed, however, it would continue to be vulnerable to attempts by other organizations to rob it of parts of its mandate, threatening its survival as an autonomous agency.

96. In recent years Turkey had been a net contributor to UNIDO, financing such cooperation activities as the in-plant group training programmes for LDCs and the Investment Promotion Service office in Istanbul. It was hoped that the relationship agreement soon to be concluded between UNIDO and the Black Sea Economic Cooperation (BSEC) would start to bring results in the near future.

97. Her Government also intended to initiate and finance an important project on hydrogen energy technologies, as described in document IDB.16/26, which would be presented more fully, after the present intervention, by Mr. Mustafa Mendilcioğlu, Deputy Director-General of the Ministry of Energy and Natural Resources. The continuous supply of clean energy, based on the use of solar cells, wind machines or water turbines, which was offered by hydrogen energy technologies was of particular relevance for remote areas lacking a conventional fuel supply, particularly in developing countries. Moreover, those technologies had already been developed and required only moderate

levels of technical skill. The missions undertaken in connection with the feasibility study for the establishment of the centre to a number of countries and to the European Union, the International Energy Agency, the Global Environmental Facility and the World Bank had indicated a willingness on the part of the international scientific and technological community to participate in various stages of the centre's research and training activities. In May 1996, a meeting of international experts held at Istanbul to review the feasibility report had unanimously supported the proposal to set up the centre, which would be funded exclusively from voluntary contributions and thus have no financial implications for the regular budget of UNIDO. Her Government had stated its readiness to allocate the required land, build the centre's premises in Istanbul and support its operations as part of its contribution to UNIDO, an agreement on the matter being expected in due course.

98. During the past six months the concept of closer consultations in management had won wide support from the Board and yielded significant results. While acknowledging that such a novel approach called for a change of mentality, her delegation urged the Director-General to continue pursuing the policy of establishing more formal and closer contacts with Member States on issues relating to high-level recruitment and policy-making in the interests of securing the strong commitment and support of the Member States.

99. Turning to agenda item 4, concerning implementation of the reform, she welcomed the new developments described in the Director-General's report (IDB.16/18) responding to specific elements of decision IDB.15/Dec.2. In particular, the new decentralized project and programme approach, which should be subject to continuous review, represented a step forward. Regarding the second element of the decision, namely the involvement of the private sector in UNIDO activities, her delegation had recommended that UNIDO step up its activities focusing on private-sector involvement in industrial development, thereby countering the widespread criticism that UNIDO had been established to meet the needs of States rather than the private sector. In that connection, the establishment of IBAC and of NIBCs were important reforms. It was to be hoped that the focus on the private sector as the ultimate beneficiary in programmes relating to small and medium-sized enterprises, investment promotion and the environment would yield more concrete results.

100. UNIDO's efforts to formulate a new action-oriented programme for cooperation among developing countries were also welcome in view of the great importance for a number of the developing countries of regionalization in activities in the area of economic and technical cooperation among developing countries

(ECDC/TCDC). The Secretariat should act innovatively and proactively in its promotion of regional projects utilizing the training and technological capacities and the industrial, investment and technological experience of the more developed countries for the benefit of those lacking such capacities and experience. At the UNIDO-Turkish Joint Commission meeting recently held at Ankara, her Government had made practical proposals—which it hoped the Secretariat would pursue actively—for such cooperation in various areas of industry. In that connection, the Government would be making a special-purpose contribution of 13.5 billion Turkish lira to the Industrial Development Fund for 1997.

101. Her delegation considered investment promotion to be UNIDO's most important task, providing as it did the best possible framework for cooperation between developing and developed countries and also among developing countries. UNIDO needed to operate most competitively in that relatively new area of international activity in which there were a number of international organizations seeking to compete as sponsors. Despite the great significance and contemporary relevance of investment promotion, the funds available for it were inadequate. The Secretariat was relying on voluntary contributions to establish a network of IPS offices, but had insufficient funding to ensure adequate coordination through programmes designed to identify investors and potentially feasible projects. Her delegation therefore supported the suggestion for an investment promotion fund totalling approximately \$1 million per year, which could significantly help to consolidate the investment promotion programme and to develop more efficient activities.

102. In that context, her delegation appreciated the training programmes, such as the programme on the Computer Model for Feasibility Analysis and Reporting (COMFAR), established to assist the IPS offices in identifying investment projects conforming to international standards. However, since the Secretariat could do very little in the way of identifying suitable investors or financial institutions to undertake such projects, it should work towards developing investment partnership by directing more attention to the identification of eligible investors. Such partnership could be achieved, for example, by organizing investment forums, provided that they were well prepared, the investors and potential project partners carefully selected and follow-up to the forums closely scrutinized.

103. In view of the financial impossibility of setting up IPS offices in each individual country, her country had proposed that regional offices be set up to serve the investment needs of the respective regions. In that connection, the Istanbul IPS office could, with the assistance of interested countries, be upgraded to

function as a regional centre for a number of Balkan and Commonwealth of Independent States countries. The regionalization of existing IPS offices was a concept worth pursuing. In general, it was to be hoped that the current problems facing UNIDO's investment promotion operations would soon be overcome through an infusion of extrabudgetary resources.

104. With regard to the overhaul of personnel policies and procedures that had been carried out with particular attention to recruitment, accountability and staff rewards and career development, her delegation welcomed the steps taken towards instituting a decentralized structure for the personnel function and accountability of line managers and also towards delegation of personnel authority. It hoped that those measures would be pursued effectively with a view to achieving tangible results.

105. In a different connection, her delegation had taken note of the compromise decision taken by the Programme and Budget Committee, foreseeing a ceiling for the 1998-1999 regular budget below the level of zero real growth, a decision which it considered unfortunate.

106. Last but not least, Turkey regretted that, according to the Director-General's report, the African continent's overall economic conditions remained precarious and it was deriving very little benefit from global trade liberalization. Her country was endeavouring, through the in-plant group training programmes and special bilateral assistance programmes sponsored by the Turkish Economic Cooperation Institute, to support the strengthening of the institutional and human capacities of LDCs, particularly in Africa.

107. Her delegation welcomed the Director-General's initiative for an Alliance for Africa's Industrialization, but noted that the real challenge facing UNIDO was to find sufficient resources to fund that initiative. It was of the utmost importance that the Director-General should secure the necessary support from the international community, international financial institutions and national cooperation institutions to translate that vision into reality and, in general, to promote the industrialization of the LDCs, especially in Africa.

108. **Mr. MENDILCIOĞLU** (Deputy Director-General, Ministry of Energy and Natural Resources, Turkey) said that, because Turkey was a developing country with a population of over 60 million and a fast-growing economy, its strategy for meeting its expanding energy needs encompassed a range of conventional and also unconventional renewable energy sources such as solar, wind and geothermal energy and small hydropower. In order to deliver the unconventional energy sources to the consumer in usable form, it was necessary

to manufacture the two main energy carriers, i.e. electricity and a fuel, hydrogen emerging as the ideal fuel option because of its unique advantages from the environmental, economic and efficiency viewpoints. The Turkish Government considered the hydrogen energy system to be an important option for Turkey's future energy infrastructure and had accordingly funded a UNIDO feasibility study for the establishment of the international centre for hydrogen energy technologies in Istanbul. The Government would be providing 300 acres of suitable land and would be meeting the costs of construction of all the buildings and facilities and of initial operation, amounting to some \$40 million over the first five years. Moreover, it would continue to contribute to the centre's budget in subsequent years after it had become fully operational.

109. The centre would provide a range of benefits for both industrialized and developing countries by acting as a bridge for technology transfer, opening up opportunities for related industries, and encouraging the use of an energy system reducing atmospheric, marine and soil pollution, while providing access to renewable energy sources and sustainable economic development.

110. Developing countries would also benefit from the following: support for the establishment of a clean and permanent energy system based on indigenous primary energy sources; assistance in achieving greater energy independence; access to technologies being developed and deployed almost exclusively by the industrial countries; assistance in acquiring the technical skills required for the changes expected in the next century and in preparing for the coming period of energy source conversion; and, finally, assistance provided to current energy exporters in becoming exporters of hydrogen energy.

111. Because of Turkey's geographical location as a bridge between East and West, between North and South and between developing and industrial countries, and because of the cultural, educational and touristic advantages offered by Istanbul, he believed its selection for the establishment of the centre to be most appropriate. Accordingly, he invited all countries—both developing and industrial—to participate in the centre's establishment. Participation would take forms such as cooperation between the centre and national research organizations, lending scientists, performing research and development work and donating equipment and funds.

112. Finally, he wished to express his Government's thanks to UNIDO and the Board for considering Istanbul as the site for such an important energy centre, and affirmed his Government's commitment to do its utmost to ensure that the centre was provided with the necessary

resources and facilities and that it developed into a truly international centre, cooperating with all the countries of

the world, especially the developing countries, in establishing clean energy technologies.

The meeting rose at 6.20 p.m.